

something has to be done, but I would also suggest that the price of drugs in this overall picture plays a very small and rather insignificant role. In the report to the President which was published by HEW in April of this year, it was confirmed that our industry has done something which nobody else in this country I believe has been able to accomplish, namely, to keep the overall cost for its commodities level over the last 10 years, when the other much more significant parts of health care have risen very significantly.

Senator JAVITS. Of course, that may only indicate that prices in your industry were already very high. Therefore, you did not have to raise them. But I am not drawing that conclusion invidiously. I just say it could be accounted for this way.

I would like to ask you just one other question which stems from what you have said. You have not said anything about your licensing policy. Now, it is a fact, isn't it, that your licensing policy does bring about competition with your own product; is that right?

Mr. CONZEN. Correct; sir, yes.

Senator JAVITS. And would you say that the 6-percent license fee—which is 6 percent of what, by the way, selling price?

Mr. CONZEN. Of the price which the seller realizes when he sells.

Senator JAVITS. Would you say that your 6-percent licensing fee is a very reasonable one, which does develop the kind of competition which apparently you yourself are faced with in Government orders?

Mr. CONZEN. I would say yes, sir.

Senator JAVITS. Now, what philosophy of your business dictates your establishing that fee, which you consider very modest?

Mr. CONZEN. This fee is in line with—it varies, of course, from product to product and situation to situation, but it lies within the general range of royalties which the industry charges and pays throughout the world; and in terms of a contribution to our research budget, it makes a contribution, but we wouldn't be able to exist economically on this 6-percent because we spend 9 or 10 percent of our own sales on research, for instance.

Senator JAVITS. Is this license available to any firm of probity and credit, or do you pick and choose among licensees?

Mr. CONZEN. We have adopted a liberal licensing policy, and we have not declined any request or application for a license.

Senator JAVITS. May I suggest, Senator Nelson, that we develop and have the staff find out if there are any complaints about the licensing policy pursued in this field? I think that might be a very useful point. I yield.

Senator NELSON. When you say you follow a liberal policy of licensing, are you referring to prednisone?

Mr. CONZEN. Yes, sir.

Senator NELSON. You have a number of patents on the drugs, I assume, is that correct?

Mr. CONZEN. Yes, sir.

Senator NELSON. When you have patented a drug, have you always forthwith licensed a number of companies to sell it, or have you sometimes waited out the 17-year patent period?

Mr. CONZEN. It is not the usual policy to license liberally as has been done in the case of prednisone because otherwise we would not be able to conduct our type of business.